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Small acreage to yield bumper crops...Record feed grain crop...Cotton stocks: No letup in buildup

Prospects of bountiful harvests this year have pushed the U.S. all-crop production index to a record high. Based on August 1 conditions, it stands 6 percent above last year and 4 percent above the previous record in 1963.

With harvested acreage only 2 percent above 1962's record low, per-acre yield increases are largely responsible -- especially in wheat, feed grains, and cotton.

The composite yield index for 28 crops is the highest on record and 7 percent above last year.

For livestock and products, little change from 1964 production is expected. Total red meat production may be 2 1/2 to 3 percent below 1964, mainly because of reduced pork output. But poultry output is up sharply. Slight gains may occur in milk production.

Near-record wheat output of 1.4 billion bushels is expected, 7 percent more than last year. However, utilization during the 1965-66 crop year will likely exceed production, further reducing the carryover for the fifth consecutive year.

Domestic use will likely continue upward because of increased feeding of wheat to livestock.

U.S. commercial export prospects have brightened because of increased world market purchases and reduced production in some areas. Moreover, Food-for-Peace exports should be near the high year-earlier levels.

There have been recent large Soviet purchases of wheat from major exporters

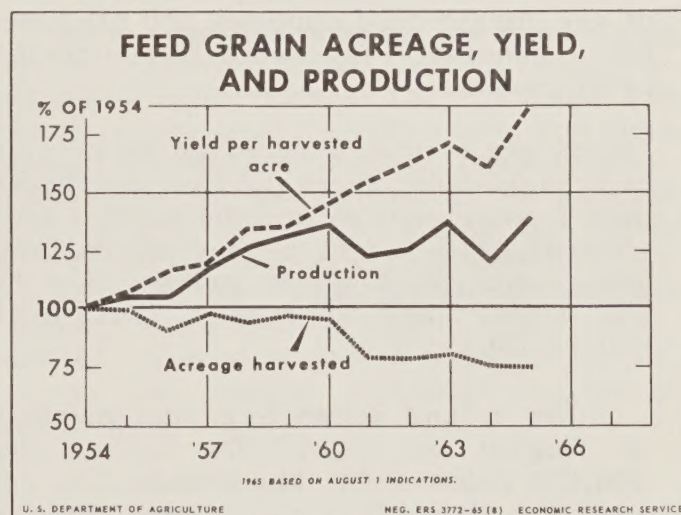
other than U.S. exporters. This should reduce competition for remaining commercial markets.

Commitments for delivery of wheat and flour to the Soviet Union this year approach 350 million bushels. This includes recent large sales by Canada, and other Soviet purchases from France, Argentina, and Australia.

Wheat production this season in Australia -- a major exporter -- will be down from a year earlier.

A record feed grain crop of 157 million tons is in prospect. This would be 20 million more than last year's short crop and 8 million above the 1959-63 average.

Carryover stocks, on the other hand, have been declining in recent years, and



A sharp rise in yields lifts expected feed grain production to a record high this year, despite the smallest harvested acreage in more than 70 years. Note effect of last year's drought on yield and output.

will be 14 million tons smaller at the beginning of the 1965-66 marketing year than they were a year earlier.

Including this smaller carryover, the total feed grain supply is estimated at 212 million tons, nearly 6 million above 1964-65, but 10 million below 1959-63.

Domestic feed grain use in 1965-66 may increase a little from the level of the past 2 or 3 years. Exports have been trending upward and probably will rise further in 1965-66. The larger crop, however, will be adequate to meet expected requirements and may result in some increase in carryover stocks at the close of the 1965-66 marketing year from the 54 million-ton carryover now in prospect for October, the beginning of the year.

The 1965-66 corn supply is estimated at about 5.2 billion bushels, 137 million above a year earlier, but nearly 300 million below the 5-year average. The sorghum grain supply is estimated at a little over 1.2 billion bushels, 7 percent larger than last year. The oat supply is up 4 percent, but the barley supply is down 6 percent.

The feed grain and concentrate supply is estimated at 246 million tons, about 7 million more than in 1964-65. The tonnage of all feed concentrates fed to livestock and poultry in 1965-66 may be a little larger than this year, as a result of the larger feed supplies and prospects for generally favorable livestock-feed price ratios.

Feed grain prices received by farmers in 1964-65 have averaged 6 percent higher than a year earlier and the highest since 1956-57. With larger production and lower loan rates, feed grain prices this fall and winter may average a little lower than in 1964-65.

The upland cotton crop was estimated in August at 14,812,000 bales, about 200,000 below 1964. The prospective crop reflects about 3 percent less acreage, but a record yield. The estimated yield is 525 pounds of lint cotton per harvested acre compared with the previous record of 517 pounds for 1964.

Harvested acreage for the 1965 crop is down from 1964 because of greater participation in the domestic allotment program.

The 1965 crop, plus small imports, is expected to exceed disappearance by about 1.4 million bales. This means carryover of upland cotton on August 1, 1966, is likely to total near 15 1/2 million bales, compared with the previous record of 14.4 million in 1956.

Domestic wool prices are expected to rise moderately during late 1965 and early 1966 because of an expected increase in U.S. mill use of apparel wool. Contributing factors include lower world production, higher wool prices and mill activity abroad, and East Coast shipping delays.

Both U.S. and world wool prices have declined from the relatively high levels in mid-1964. Monthly prices for U.S. shorn wool for the first half of 1965 averaged 5 to 14 percent below the previous year.

The carryover of flue-cured tobacco on July 1 was 7 percent above a year earlier and the largest on record. Under the acreage-poundage program, however, 1965 marketings are expected to be down substantially from the relatively high level in each of the previous 3 seasons. Total supply for 1965-66 is estimated at 2 percent below a year earlier.

Burley carryover on October 1, 1965, is expected to reach a new high. The 1965 crop is estimated to be slightly above last year, despite a 10 percent cut in acreage allotments. The supply for 1965-66 will likely be nearly 2 percent above the year before and the largest on record.

Broiler slaughter under Federal inspection in January-July was 5 percent larger than a year earlier. Production from August through October is already largely determined by the 10 percent increase from 1964 in hatchery activity in recent months. Later in the year, larger production is likely to be maintained by the expansion in hatchery supply flocks already underway.

Farm broiler prices in January-July averaged 15.2 cents per pound, compared with 14.1 cents in the same period last year. Higher prices, despite larger production, resulted primarily from reduced supplies and sharply higher prices for red meats. Although broiler demand is expected to remain stronger than in 1964, prices likely will decline during the next few months because of continued large production.

Retail food prices typically peak in July and decline seasonally into the fall and winter months. This year, prices may continue relatively high through summer. Food prices are expected to decline seasonally late in the year, but likely will remain above a year earlier.

Total food use of farm products is expected to show little change this year. Food consumption per person may decline slightly following 2 years of larger than usual increases. Sizable per capita declines for pork and lamb and small declines for eggs, coffee, and fresh potatoes probably will more than offset increased consumption of poultry, fruits, and processed potatoes.

Food expenditures in the first half of 1965 were up 6 percent from a year earlier. But disposable income went up more, as employment and wage rates increased. Food expenditures this year likely will account for about the same or slightly smaller percentage of income after taxes than the 18.5 percent in 1964.

The soybean supply for the 1965-66 marketing year beginning September 1, 1965, is put at 894 million bushels, up substantially from the 767 million in 1964-65. September 1 carryover stocks are expected to total about 30 million bushels, the smallest for this date since 1961. (The marketing year has recently been changed to a September 1 basis. It used to start October 1.)

The soybean crop is estimated at 864 million bushels, compared with 700 million in both 1964 and 1963. Soybean acreage is up 13 percent from last season. Prospective yield, at 24.9 bushels per acre, also is up from last year.

The August crop report indicates production prospects substantially above the previous year, reflecting improved growing weather. Some of the report's estimates:

	Millions	% change from 1964
Corn, bu.....	4,096	+ 15
Wheat, bu.....	1,376	+ 7
Oats, bu.....	961	+ 9
Grain sorghums, bu...	624	+ 27
Soybeans, bu.....	864	+ 23
Fall potatoes, cwt.....	206	+ 20
Apples, bu.....	131	- 6
Cotton, bales.....	14.9	- 2

Soybean utilization for crushing and export is expected to increase again in 1965-66, perhaps a tenth above the 690 million bushels estimated for the marketing year ending August 31, 1965. Carryover stocks on September 1, 1966, will likely rise from the very small carryover this year.

During the harvest season this fall, with the expected large crop, prices to growers likely will average close to the 1965 national support rate of \$2.25 per bushel, unchanged from the 1964 rate. The seasonal variation in soybean prices during 1965-66 is expected to follow a more normal pattern than last season, with prices lowest at harvesttime and highest in the spring.

More vegetable acreage for processing use -- 5 percent above 1964 -- indicates production increases for cabbage for kraut, green peas, sweet corn, and snap beans. Production of green peas for processing is up an estimated 19 percent over last year and 17 percent above average. Cold storage holdings of frozen green peas on August 1, at 320 million pounds, were a fifth larger than a year earlier. The substantial increase in the frozen pea supply indicates relatively low prices.

Potato prices rose to near-record levels during the first half of July as weather retarded harvests in principal early-summer crop States, and old-crop supplies were down sharply.

By mid-August, with supplies rapidly mounting, prices were down sharply. Shipping-point prices in most areas were below those a year earlier.

Relatively heavy supplies are indicated in coming weeks. The late-summer crop, marketed in volume during September, is 14 percent above last year, although 6 percent below average. Early reports on the important fall crop put production at a record-large 206 million hundred-weight, 20 percent above 1964. All the increase is expected to come from Central and Western States -- up 22 and 38 percent, respectively. Indicated production in Eastern States is down slightly from last year.

The spread between the total retail cost and farm value of the market basket of farm foods decreased slightly in the second quarter of this year. This was the second straight quarterly decline. Much of the reduction was in spreads for meat products.

The spread between prices at retail and at the farm level for meat products usually narrows when meat animal prices rise, as they have in recent months. Conversely, as in the second quarter of 1964, sharp reductions in farm prices for livestock result in a widening of the spread. Thus, the marketing spread in the second quarter of 1965 was about 2 percent narrower than in the same period of 1964.

Much or all of the recent decrease in spreads for meat products is likely to be temporary. After prices of meat ani-

mals level off or turn down, spreads are likely to rise.

Deciduous fruit supplies for fresh use during late summer and early fall are not expected to be quite so large as they were this time last year. But supplies of some fruits, especially apples and grapes, will be heavy. Supplies of most processed deciduous fruits will continue large.

Prospects in August for the new (1965-66) citrus crops were generally good. Stocks of frozen and canned citrus juices are much larger, and prices considerably lower, than a year ago. Consumer demand for fruit, aided by rising incomes, is expected to be at least as strong this fall as a year earlier.

Farm real estate market values showed about the same rate of increase in the year ended March 1, 1965, as in the previous year. State increases ranged from 3 or 4 percent in the Northeast, Mountain, and Pacific regions to 8 percent or more in Southeast and South-central regions. The national index advanced to 139 (1957-59 = 100), 6 percent above a year earlier and 1.5 percent above November 1, 1964.

These gains in per-acre values added \$8.6 billion to the estimated market value of all farm real estate. The total value reached \$159 billion, equivalent to \$52,200 per farm and \$146 per acre.

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